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TO SECSTATE WASHDC 4314

C O N F I D E N T I A L SECTION 1 OF 3 USNATO 5892

E.O. 11652: GDS

TAGS: PFOR, NATO, XF

SUBJECT: NATO EXPERT GROUP REPORT ON THE SITUATION IN THE MIDDLE EAST
AND THE MAGHREB

REF. USNATO 5535 (PARA 8)

FOLLOWING IS TEXT OF REPORT ON THE MIDDLE EAST AND THE MAGHREB
PREPARED BY NATO EXPERTS GROUP WHICH MET HERE OCTOBER 13-15, 1975.
REPORT HAS NOT YET BEEN SCHEDULED FOR NAC CONSIDERATION, BUT WE
WOULD APPRECIATE RECEIVING DEPARTMENT GUIDANCE ON THE REPORT WHICH WE
COULD USE IN NAC DISCUSSION.

BEGIN TEXT:

I. THE ARAB/ISRAELI CONFLICT

1. AFTER PROLONGED AND DIFFICULT NEGOTIATIONS, EGYPT AND ISRAEL
ACHIEVED BASIC AGREEMENT ON A SECOND-STAGE DISENGAGEMENT IN THE
SINAI. THE AGREEMENT STATES THAT IS IS A SIGNIFICANT STEP
TOWARDS A JUST AND LASTING PEACE, BUT NOT A FINAL PEACE AGREEMENT.
THE ACCORD PROVIDES FOR A WIDER BUFFER ZONE AND RETURN OF THE ABU RUD
EIS
OILFIELDS IN A DEMILITARISED ZONE. BUT ITS MAIN ASPECTS ARE: (1) THE
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COMMITMENT OF UNITED STATES TECHNICIANS TO MAN MONITORING
STATIONS; (2) THE FREE MOVEMENT OF ISRAELI CIVILIAN CARGO THROUGH
THE ZUEZ CANAL; AND (3) THE RENUNCIATION OF RECOURSE TO WAR BY EGYPT
AND ISRAEL. THE UNITED STATES EXPECTS TO MAKE A SUBSTANTIAL

COMMITMENT TO ISRAEL OF MILITARY HARDWARE. WASHINGTON IS UNDERTAKING TO MAKE SOURCES OF OIL AVAILABLE FOR PURCHASE BY ISRAEL IF THE NEED ARISES. AND THE UNITED STATES GOVERNMENT IS TO TAKE INTO CONSIDERATION

THE COST OF OIL TO REPLACE THAT PRODUCED BY THE FIELDS ISRAEL IS SURRENDERING. AT THE SAME TIME, WASHINGTON IS UNDERTAKING TO PROVIDE ASSISTANCE TO EGYPT AND TO PROMOTE FURTHER EFFORTS TO RESOLVE THE ARAB-ISRAELI DISPUTE.

2. WHILE THE ACCORD IS GENERALLY ACCEPTED AS MARKING SIGNIFICANT PROGRESS, THIS VIEW IS PARTICULARLY OPPOSED BY SYRIA, IRAQ, LIBYA AND THE PLO. THE FAILURE OF THE AGREEMENT TO PROVIDE SPECIFICALLY FOR NEGOTIATIONS TOWARDS FURTHER DISENGAGEMENT IN THE GOLAN OR THE WEST BANK HAS CREATED A RIFT IN ARAB RANKS, AND THIS IN TURN HAS MADE THE INTERNAL POSITION OF PRESIDENT ASSAD AND KING HUSSEIN MORE DIFFICULT. CONTINUING FAILURE TO BEGIN THE PROCESS OF NEGOTIATIONS OVER THE GOLAN AND THE WEST BANK WOULD RAISE TENSIONS AND COULD LEAD TO LOCAL MILITARY CLASHES. SUCH CLASHES COULD INCREASE THE PRESSURES ON PRESIDENT SADAT AND THUS WEAKEN HIS POSITION WITHIN EGYPT. WHILE THE EGYPTIANS MIGHT BE ABLE TO CONTAIN THESE PRESSURES. SYRIAN MILITARY INTERVENTION IN LEBANON IN THE EVENT OF FURTHER CIVIL STRIFE THERE WOULD RENDER NEGOTIATION WITH ISRAEL IMPOSSIBLE, WOULD RAISE THE POSSIBILITY OF A DIRECT CLASH BETWEEN SYRIA AND ISRAEL AND COULD DESTROY THE SEPTEMBER SINAI ACCORDS. WHILE FURTHER NEGOTIATIONS THUS SEEM IMPERATIVE, THE FORM THEY SHOULD TAKE IS STILL DIFFICULT TO DEFINE. THE EXTENSIONS OF THE TWO UNITED NATIONS FORCES, UNEF AND UNDOF, WILL PROVIDE A TEST OF THE INTENTIONS OF THE PARTIES INVOLVED.

E. THE NEW SINAI AGREEMENT HAS NOTABLY BUOYED SADAT'S DOMESTIC POSITION. THE EGYPTIANS WANT TO GIVE PRIORITY TO THEIR OWN NATIONAL AFFAIRS. THEY DO NOT WANT TO NEGLECT THE CONCERNS OF THE ARAB WORLD, HOWEVER, AND THEY HAVE REACTED STRONGLY TO ATTACKS AGAINST THE SINAI ACCORD, ESPECIALLY BY SYRIA AND THE PALESTINIANS. TO JUSTIFY HIS POLICIES, SADAT IS ALSO LASHING OUT AGAINST THE USSR, WHICH HE CHARGES WITH FAILING TO PROVIDE THE ARABS WITH AN ALTERNATIVE COURSE.
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4. SYRIA TOO HAS GIVEN INDICATIONS THAT IT WOULD LIKE TO CONCENTRATE ON ITS OWN INTERNAL DEVELOPMENT. BUT POPULAR PRESSURE MAKES IT DIFFICULT FOR ASSAD TO MODERATE HIS STAND AGAINST ISRAEL WITHOUT SECURING SIGNIFICANT TERRITORIAL CONCESSIONS. FEAR OF ISOLATION ALSO SEEMS TO HAVE DICTATED THE RAPPROCHEMENT BETWEEN SYRIA AND JORDAN.

5. DESPITE THE FAILURE OF THE SINAI AGREEMENT TO ADDRESS THE PALESTINIAN QUESTION, INTERNATIONAL ACCEPTANCE OF THE PALESTINIAN FACTOR IS GROWING. THE PLO'S LEADERSHIP REMAINS QUESTIONED BY THOSE PALESTINIAN EXTREMISTS WHO DO NOT BELIEVE IN NEGOTIATIONS AS A WAY TO SATISFY THEIR CLAIMS. THE PLO'S DILEMMA IS FURTHER EXACERBATED BY THE ISRAELIS' CATEGORIC REFUSAL TO RECOGNISE

IT AS THE SPOKESMAN OF THE PALESTINIAN PEOPLE, NOT LEAST BECAUSE THE PLO FOR ITS PART, REFUSES TO RECOGNISE THE EXISTENCE OF THE STATE OF ISRAEL. IN ISRAELI EYES, A POSSIBLE COMPROMISE WOULD BE TO GIVE PALESTINIAN REPRESENTATIVES STATUS WITHIN A JORDANIAN NEGOTIATING TEAM, IN AS MUCH AS ISRAEL CONSIDERS THAT A VIABLE SOLUTION MUST LINK JORDAN AND THE PALESTINIANS. IN SUCH UNCERTAIN CIRCUMSTANCES, THE PLO HAS NOT FOUND IT TO ITS ADVANTAGE TO ADD FUEL TO THE LEBANESE CONFLAGRATION.

6. WHILE THE SAUDI LEADERSHIP IS DISTURBED BY GROWING ARAB DISUNITY RESULTING FROM THE SINAI ACCORD, IT CONTINUES TO BACK SADAT. SAUDI FINANCIAL ASSISTANCE IS ESSENTIAL TO THE HEALTH OF THE EGYPTIAN REGIME. THOUGH THE NEW RULERS IN SAUDI ARABIA MAY NOT SHAME KING FEISAL'S PERSONAL COMMITMENT TO JERUSALEM, THEIR BACKING FOR THE PALESTINIANS AND THEIR SUPPORT FOR ISLAMIC CO-OPERATION REMAIN STRONG. SAUDI ARABIA NO LONGER SPEAKS PUBLICLY OF RECOURSE TO AN OIL EMBARGO AS A POSSIBLE MEASURE TO FURTHER THE ARAB CAUSE.

7. PRIME MINISTER RABIN OF ISRAEL HAS EMERGED FROM THE NEGOTIATIONS IN A MUCH STRONGER DOMESTIC POLITICAL POSITION THAN BEFORE. NO DOUBT, IT WOULD BE MORE DIFFICULT FOR HIS GOVERNMENT, HOWEVER, TO PREVAIL UPON PUBLIC OPINION TO ACCEPT ADDITIONAL WITHDRAWALS IN THE GOLAN HEIGHTS AND EVENTUALLY ON THE WEST BANK. WHILE WILLING IN PRINCIPLE TO NEGOTIATE BILATERAL PEACE AGREEMENT WITH ANY ARAB STATES, HE HAS LITTLE HOPE THAT A NEW ACCORD WITH SYRIA WOULD SATISFY HIS COUNTRY'S INSISTENCE ON ADEQUATE SECURITY
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GUARANTEES. WE NOTE AN INCREASING DISPOSITION TO COLLABORATE IN PRACTICAL MATTERS WITH JORDAN AND EGYPT. SIMILAR POSSIBILITIES IN REGARD TO SYRIA COULD BE ENHANCED BY MORE NORMAL RELATIONS BETWEEN TEL AVIV AND MOSCOW.

8. THE MASSIVE PALESTINIAN PRESENCE IN LEBANON HAS CONTRIBUTED TO EXACERBATING OPPOSITION BETWEEN THE CHRISTIANS AND THE MUSLEMS. THE LATTER ARE MORE AND MORE CONCERNED THAT THEY DO NOT ENJOY ECONOMIC AND POLITICAL STATUS COMMENSURATE WITH THEIR NUMBERS; THE FORMER FEAR THAT MODIFYING THE NATIONAL PACT, WHICH REGULATES THE CONFESSIONAL BALANCE, WOULD PUT THEM AT THE MERCY OF THE SUNNI AND SHIA MAJORITY, BACKED BY MUSLEM COUNTRIES AND THE PALESTINIANS. LIBYA AND IRAQ ARE REPORTED TO HAVE ACTIVELY FANNED THE FLAMES OF THE ARMED CONFLICT WHICH HAS BEEN CONTINUING FOR THE PAST FEW MONTHS IN LEBANON, HOPING THAT THE FIGHTING MAY JEOPARDISE THE STEP-BY-STEP APPROACH TOWARDS A SETTLEMENT OF THE ARAB-ISRAELI CONFLICT. THE CIVIL WAR IN LEBANON DID RUPTURE THE LEBANESE ECONOMY, CAUSING A FLIGHT OF CAPITAL AND FOREIGN FIRMS, REDUCING BOTH THE CHRISTIAN AND THE WESTERN PRESENCE IN LEBANON. A PARTITION OF LEBANON WOULD TRIGGER A MAJOR CONFLICT BETWEEN ISRAEL AND THE ARABS; AND THE DISAPPEARANCE OF LEBANON AS PRESENTLY CONSTITUTED WOULD DEPRIVE THE WEST OF A MOST IMPORTANT LINK WITH THE ARAB WORLD.

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C O N F I D E N T I A L SECTION 2 OF 3 USNATO 5892

II. RELATIONS WITH THE OUTSIDE WORLD

9. THE LAST SIX MONTHS HAVE SEEN A GENERAL AND MUTUAL TENDENCY TOWARDS BETTER RELATIONS BETWEEN THE WESTERN WORLD AND THE COUNTRIES OF THE MIDDLE EAST AND THE MAGHREB. THIS HAS TAKEN THE FORM OF INCREASED EFFORTS TO LOOK FOR NEW POSSIBILITIES OF DIALOGUE WHICH TAKE ACCOUNT OF MUTUAL INTERESTS, BOTH POLITICAL AND ECONOMIC.

10. HOWEVER, THESE TENDENCIES ARE BY NO MEANS FIRM AND THE STATE OF RELATIONS STILL DEPENDS LARGELY ON THE WAY IN WHICH THE ARAB-ISRAELI DISPUTE DEVELOPS AND ON RELATIONS BETWEEN THE OIL CONSUMER AND PRODUCER COUNTRIES - WHICH, OF COURSE, WILL BE INFLUENCED BY THE PRICE WHICH THE LATTER SEEK TO IMPOSE.

11. AMONG THE FACTORS WHICH HAVE INFLUENCED THESE DEVELOPMENTS, THE ESSENTIAL AND EFFECTIVE ROLE PLAYED SO FAR BY THE UNITED STATES TO BRING ABOUT A NEGOTIATED SETTLEMENT OF THE ARAB-ISRAELI CONFLICT HAS BEEN OF PRIME IMPORTANCE. THIS ROLE HAS BEEN MADE MUCH EASIER BY THE WILLINGNESS OF EGYPT UNDER PRESIDENT SADAT TO CO-OPERATE WITH THE WEST, THE STABILISING INFLUENCE OF SAUDI ARABIA IN THE AREA AND THE FAINT SIGNS OF A CHANGE IN SYRIAN ATTITUDES. ON THE ECONOMIC FRONT, IRAQ, ALGERIA AND EVEN THE YEMEN PEOPLE'S DEMOCRATIC REPUBLIC, HAVE SHOWN A NEW INTEREST, WHILE IRAN HAS CONTINUED ITS
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VERY ACTIVE POLICY OF TRADE AND FINANCIAL DEALINGS WITH THE WEST.

12. THE OTHER WESTERN COUNTRIES HAVE ENCOURAGED THIS DEVELOPMENT AND EMPHASISED ON NUMEROUS OCCASIONS THE GREAT IMPORTANCE THEY

ATTACH TO A JUST AND A LASTING NEGOTIATED SOLUTION OF THE ARAB-ISRAELI CONFLICT. SUCH A SOLUTION WOULD APPEAR TO BE AN ESSENTIAL PRELUDE TO REDUCING THE TENSIONS INIMICAL TO WESTERN SECURITY AND ECONOMIC DEVELOPMENT.

13. THE IMPROVED CLIMATE HAS FACILITATED, INTER ALIA, THE RENEWAL OF THE TRADE AGREEMENT BETWEEN THE EUROPEAN COMMUNITY AND ISRAEL, THE INITIAL MEETINGS OF EXPERTS AS PART OF THE EURO-ARAB DIALOGUE, AND THE CONVENING OF THE TRIPARTITE CONFERENCE ON ENERGY, RAW MATERIALS AND DEVELOPMENT PROBLEMS. THESE ARE STARTING POINTS WHICH, AS IN THE CASE OF THE 4TH SEPTEMBER AGREEMENT ON THE SINAI, SHOULD CONFIRM THE REALITY AND MEASURE THE EXTENT OF THE CONCRETE POSSIBILITIES WHICH EXIST FOR CO-OPERATION BETWEEN THE COUNTRIES OF THIS AREA AND TH WEST.

14. THE DECISION OF THE LATEST OPEC MEETING, HELD IN VIENNA, TO INCREASE THE OIL PRICE BY 10 PERCENT WILL AGGRAVATE THE ECONOMIC AND FINACIAL POSITION OF MANY THIRD WORLD COUNTRIES. ALTHOUGH THE OIL-PRODUCING COUNTRIES EMERGED AS IMPORTANT DONORS OF FINANCIAL AID DURING 1974, THE AMOUNT OF AID ACTUALLY DISBURSED IS STILL FAR BELOW THE INCREASED OIL COSTS FOR THE DEVELOPING COUNTRIES. NONETHELESS, IT SEEMS UNLIKELY THAT THE OPEC STATES WILL BE PREPARED TO INCREASE THEIR AID SUBSTANTIALLY TO THE THIRD WORLD, TAKING INTO ACCOUNT THEIR DECLINING FINANCIAL SURPLUSES. TO DATE, THE PRINCIPLE DONORS HAVE BEEN IRAN, SAUDI ARABIA, KUWAIT AND THE GULF STATES. ABOUT 75 PERCENT OF THE AID COMMITTED DURING 1974 WENT TO ARAB COUNTRIES; 90 PERCENT WENT TO ARAB AND OTHER MOSLEM STATES.

15. THUS FAR, THIRD WORLD STATES GENERALLY HAVE BACKED OPEC'S STAND ON OIL PRICES NAD HAVE EXPRESSED THEIR WILLINGNESS TO CO-OPERATE WITH IT IN THE EXPECTATION OF SUBSTANTIALLY HIGHER EARNINGS FROM THE EXPORTS OF THEIR OWN RAW MATERIALS. IN THIS CONNECTION IT IS NOTEWORTHY THAT AT THE NON-ALIGNED CONFERENCE IN LIMA, A RESOLUTION WAS APPROVED ESTABLISHING A "BUFFER STOCK" FINANCING FUND. THE SOURCES FOR FINANCING IT REMAIN TO BE FOUND.

16. HOWEVER, THERE ARE FIRM INDICATIONS THAT THE INFLUENCE
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EXERTED BY THE ARAB OIL-PRODUCING COUNTRIES ON THE POLICIES OF THE NON-ALIGNED, AND ESPECIALLY THE AFRICAN COUNTRIES HAVE WANED, IN PARTICULAR WITH RESPECT TO SUPPORT FOR THE ARAB POSITION AGAINST ISRAEL. THIS WAS LARGELY THE RESULT OF THE AFRICAN COUNTIES' SISCONTENT WITH THE VOLUME OF FINAICAL SUPPORT PROVIDED THEM TO DATE BY THE WEALTHY ARAB COUNTRIES. THIS FEELING UNDOUBTEDLY CONTRIBUTED TO THE REFUSAL FOF THE OAU CONFERENCE AT KAMPALA AND OF THE LIMA MEETING TO ENDORESE STRONG ANTI-ISRAEL RESOLUTIONS.

17 THERE IS REASON TO EXPECT THAT THE FORTHCOMING CONSUMER-PRODUCER DIALOGUE WILL REVEAL IN SOME DETAIL THE POSITIONS BOTH OF THE OPEC STATES AND OF THE DEVELOPING COUNTRIES ON OIL AND OTHER RAW MATERIALS AS WELL AS ON QUESTIONS RELATING TO ECONOMIC

DEVELOPMENT AND TO FINANCE. SUCH A CLARIFICATION WOULD ASSIST THE INDUSTRIALISED COUNTRIES IN ASSESSING THEIR OWN POSITIONS.

18. THE ABSENCE OF THE USSR FROM THE NEGOTIATIONS LEADING TO THE SECOND EGYPT-ISRAEL DISENGAGEMENT AGREEMENT IN ITSELF REFLECTS THE DECREASED SOVIET INFLUENCE IN THE REGION SINCE 1972. THE RECENT HARSH ATTACKS BY PRESIDENT SADAT ON THE USSR MARK A FURTHER STAGE IN SOVIET-EGYPTIAN ESTRANGEMENT. SOVIET POLITICAL INFLUENCE ON EGYPT CANNOT BE EXPECTED TO BE RESTORED, AT LEAST AS LONG AS THE USSR CONTINUES TO VOICE AND PROPAGATE ITS CRITICISM OF THE CLOSE CO-OPERATION OF EGYPT AND THE UNITED STATES IN THE DISENGAGEMENT PROCESS. IN THE MEANTIME, EGYPT WILL CONTINUE TO DEPEND ON SOVIET SPARE PARTS FOR ITS LARGELY SOVIET-EQUIPPED MILITARY ESTABLISHMENT.

19. A DECLINE IN SOVIET PRESENCE HAS OCCURRED ALSO IN IRAQ WHICH HAS CONTINUED TO REDUCE ITS DEPENDENCE ON THE USSR AS A SOURCE OF INDUSTRIAL EQUIPMENT AND TECHNOLOGY. INDEED, FRANCE BECAME IRAQ'S PRINCIPAL SUPPLIER OF CAPITAL GOODS. AT THE SAME TIME, AND EVEN AFTER THE AGREEMENT WITH IRAN AND THE SETTLEMENT OF THE KURDISH REBELLION, IRAQ'S MILITARY NEEDS CONTINUE TO BE MET BY THE USSR. ON THE POLITICAL LEVEL IRAQ REMAINS A CLOSE ASSOCIATE OF THE SOVIETS IN THE ARAB WORLD.

20. THE USSR HAS CONFIRMED ITS POLITICAL INTEREST IN UPGRADING ITS POSITION IN LIBYA THROUGH THE CONTINUED DELIVERIES OF LARGE QUANTITIES OF MILITARY EQUIPMENT, IN RETURN FOR HARD CASH
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ESTIMATED AT ABOUT \$3 BILLION. THERE IS NO EVIDENCE THAT COL. GADAFY HAS ALLOWED THE RUSSIANS BASE FACILITIES OR RELAXED HIS TIGHT CONTROL ON THE NUMBER OF SOVIET MILITARY TECHNICIANS (AROUND 500) AT PRESENT IN LIBYA.

21. MR. KOSYGIN'S SUDDEN DECISION TO VISIT TUNISIA, FOLLOWING HIS TRIP TO LIBYA LAST MAY, WAS A CLEAR ATTEMPT TO IMPROVE THE RATHER COOL RELATIONS BETWEEN THE TWO COUNTRIES. THE TUNISIANS MAY HAVE ACCEPTED THE KOSYGIN VISIT IN THE HOPE THAT IT MIGHT LESSEN POSSIBLE LIBYAN PROPENSITIES FOR INTERFERING IN TUNISIAN DOMESTIC AFFAIRS.

22. IN OTHER MIDDLE EAST COUNTRIES, SOVIET INFLUENCE HAS REMAINED RELATIVELY STABLE OVER THE PAST SIX MONTHS. SYRIA STILL RELIES HEAVILY ON THE USSR FOR DIPLOMATIC, POLITICAL AND MILITARY SUPPORT. THE SOVIET POSITION IN SYRIA, HOWEVER, APPEARS DEPENDENT PARTICULARLY ON THE COURSE OF THE EVENTS RELATING TO THE PEACE NEGOTIATIONS.

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III. REGIONAL PROBLEMS

23. IN LIBYA, AN ATTEMPTED COUP BY MEMBERS OF THE REVOLUTIONARY COMMAND COUNCIL, POSSIBLY WITH SOME EGYPTIAN INVOLVEMENT, WAS RAPIDLY PUT DOWN BY COL. GADAFY, WHO NOW APPEARS TO BE IN FULL CONTROL OF THE SITUATION. THE CONCLUSION OF THE MASSIVE NEW SOVIET ARMS DEAL HAS CAUSED CONCERN THROUGHOUT THE MIDDLE EAST. GIVEN THE UNPREDICTABILITY OF GADAFY'S POLICIES, THE AGREEMENT DOES NOT NECESSARILY IMPLY A LONG-TERM ROLE FOR THE USSR IN LIBYAN AFFAIRS.

25. PRESIDENT BOUMENDIENNE'S STATURE AT HOME AND AMONG ARAB LEADERS REMAINS HIGH AS HE SEEKS TO INCREASE ALGERIA'S INFLUENCE IN THE THIRD WORLD BY ESPOUSING THE CAUSE OF THE DEVELOPING COUNTRIES IN DIPLOMATIC AND ECONOMIC DEALINGS WITH THE DEVELOPED NATIONS. BOUMEDIENNE IS PRESSING AHEAD WITH ELECTIONS FOR A NATIONAL ASSEMBLY, BUT IT SEEMS UNLIKELY THAT THIS WILL LEAD TO ANY GENUINE DEMOCRATIZATION. MEANWHILE, DECLINING REVENUES FROM LIL AND GAS EXPORTS HAVE AGGRAVATED ALGERIA'S ECONOMIC PROBLEMS AND CAST DOUBTS ON ITS AMBITIOUS DEVELOPMENT PROGRAMME.

26. DESPITE CONTINUING DISCONTENT AT THE LACK OF CONSTITUTIONAL PROGRESS IN MOROCCO, KING HASSAN REMAINS FIRMLY CONFIDENTIAL

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IN CONTROL. HE HAS, HOWEVER, STAKED HIS FUTURE UPON A SUCCESSFUL RESOLUTION OF THE SPANISH SAHARA PROBLEM. THE ECONOMY REMAINS SOUND, BUT FALLING WORLD DEMAND FOR PHOSPHATES COULD THREATEN THE ACHIEVEMENT OF TARGETS IN THE CURRENT FIVE-YEAR PLAN.

27. WITH REGARD TO THE SPANISH SAHARA, TENSION IS AGAIN BUILDING UP AS THE DATE OF PUBLICATION APPROACHES FOR THE

INTERNATIONAL COURT OF JUSTICE'S ADVISORY OPINION ON THE STATUS OF THE "WESTERN SAHARA". WITHOUT ACTUALLY HAVING SET A DEADLINE, IT IS CLEAR THAT SPAIN WISHES TO WITHDRAW FROM THE SAHARA AS QUICKLY AS IT RESPECTABLY CAN, BUT IS INSISTENT THAT THE INHABITANTS SHOULD BE GIVEN THE OPPORTUNITY OF SELF-DETERMINATION. MOROCCO (IN CONJUNCTION WITH MAURETANIA) IS KEEN TO "RECOVER" THE SAHARA FOR BOTH POLITICAL AND ECONOMIC REASONS. ALGERIA HAS NO TERRITORIAL CLAIM TO THE SPANISH SAHARA, BUT WOULD LIKE TO INCLUDE AN INDEPENDENT SAHARA IN ITS SPHERE OF INFLUENCE AND HAS GIVEN SUPPORT TO ONE OF THE SAHARAN INDEPENDENCE MOVEMENTS. IN THE EVENT OF AN ICJ OPINION UNFAVOURABLE TO MOROCCO, KING HASSAN MAY RESORT TO FORCE, BUT HE IS UNLIKELY TO EMBARK UPON A FULL-SCALE INVASION OF THE TERRITORY UNLESS AND UNTIL SPAIN WITHDRAWS THE 20,000 TROOPS NOW DEPLOYED IN THE SAHARA. ALGERIA HAS ALSO MOBILISED ITS FORCES ON THE BORDER, BUT BARRING AN ACTUAL MOROCCAN INVASION OF THIS TERRITORY, WOULD PREFER TO AVOID A MILITARY CONFRONTATION(1).

28. IN IRAQ, THE BA'ATH GOVERNMENT APPEARS TO BE FIRMLY IN CONTROL THROUGH THE REVOLUTIONARY COMMAND COUNCIL HEADED BY PRESIDENT BAKR. THE RECENT AGREEMENT WITH IRAN HAS LED TO THE SETTLEMENT OF OUTSTANDING DISPUTES BETWEEN THE TWO COUNTRIES, INCLUDING THE KURDISH PROBLEM. THIS EASING OF TENSION, AS WELL AS IRAQ'S INCREASING PROSPERITY AS A RESULT OF THE RISE IN OIL PRICES, HAVE GIVEN IRAQ THE OPTION OF REDUCING ITS DEPENDENCE UPON THE SOVIET UNION, AND IT NOW LOOKS TO A GREATER EXTENT TOWARDS THE WEST FOR ASSISTANCE WITH ITS DEVELOPMENT PROGRAMME. AT THE SAME TIME, IT HAS ALSO IMPROVED ITS CONTACTS WITH OTHER ARAB COUNTRIES. BY CONTRAST, RELATIONS WITH SYRIA REMAIN POOR. IDEOLOGICAL DIFFERENCES BETWEEN THE TWO WINGS OF THE BA'ATH PARTY HAVE MANIFESTED THEMSELVES AND HAVE EXACERBATED THE DISPUTE OVER THE SHARING OF THE EUPHRATES WATERS.

29. THE DEATH OF KING FAISAL OF SAUDI ARABIA WAS FOLLOWED
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BY A REMARKABLY SMOOTH TRANSITION OF POWERS AND A SENSIBLE DIVISION OF RESPONSIBILITY BETWEEN KING KHALID AND CROWN PRINCE FAHD. SAUDI ARABIA CONTINUES TO EXERCISE AN INFLUENTIAL AND STABILISING ROLE IN THE ARAB WORLD IN BOTH THE POLITICAL AND ECONOMIC FIELDS.

30. THERE HAVE BEEN FEW DEVELOPMENTS OF IMPORTANCE AMONG THE GULF STATES OVER THE PAST SIX MONTHS. THE WAR IN DHOFAR CONTINUES. QUANTITIES OF SOVIET ARMS CONTINUE TO ARRIVE IN THE PEOPLE'S DEMOCRATIC REPUBLIC OF THE YEMEN WHICH MAY NOW BE MORE IMPORTANT STRATEGICALLY TO THE SOVIET UNION WITH THE REOPENING OF THE SUEZ CANAL. THE PDRY HAS BEEN MAKING OVERTURES TO THE EMIRATES AND TO SAUDI ARABIA. THIS MAY WELL LEAD TO AN IMPROVEMENT IN RELATIONS AND IN TIME POSSIBLY TO A REDUCTION IN THE PDRY'S DEPENDENCE UPON THE SOVIET UNION.

31. WITH THE FORMATION OF A SINGLE POLITICAL PARTY IN IRAN, THE SHAH HAS STRENGTHENED HIS POSITION. THE CREATION OF TWO WINGS OF THE POEPL'S RESRURGENCE PARTY SEEMS TO BE DESIGNED MORE TOWARDS ALLAYING PUBLIC CRITICISM THAN TO PROVIDING A

(1) NOTE BY THE CHAIRMAN: THIS REPORT WAS PREPARED BEFORE THE PUBLICATION OF THE OPINION OF THE INTERNATIONAL COURT OF JUSTICE AND THE CONCLUSIONS OF THE UNITED NATIONS FACT-FINDING MISSION

GENUINE OPPOSITION. THE AMBITIOUS PLANS OF THE IRANIAN GOVERNMENT FOR THE RAPID DEVELOPMENT OF THE ECONOMY RAISE PROBLEMS SUCH AS THE INFLUX OF FOREIGN LABOUR AND THE RETURN OF IRANIAN STUDENTS EDUCATED ABROAD, WHICH MAY AGGRAVATE SOCIAL AND POLITICAL UNREST. THE SHAH IS INTENT UPON BUILDING UP THE IRANIAN ARMED FORCES, BOTH TO MEET A POSSIBLE SOVIET MILITARY THREAT AND TO ENHANCE IRAN'S POSITION IN THE GULF AREA. PROPOSALS HAVE BEEN PUT FORWARD BY IRAN FOR THE EVENTUAL CONCLUSION OF A MUTUAL ASSISTANCE PACT UNDER THE TERMS OF WHICH THE MAJOR POWERS WOULD BE ASKED TO STAY OUT OF THE GULF. THE IRAQIS, HOWEVER, ENVISAGE MERELY A LIMITED AGREEMENT OF FREEDOM OF NAVIGATION IN THE GULF.

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